

Manchester City Council Report for Resolution

Report to: [Schools Forum](#)

Subject: **Dedicated Schools Grant (DSG) Position**

Report of: **Directorate Finance Lead – Children’s and Schools**

Summary

The DSG is a ring-fenced grant which local authorities receive and manage, which is split into four blocks: schools, high needs, early years, and central school services. A large proportion of it is paid directly to schools and other settings to provide majority of education services and a proportion is provided for local authorities to deliver education services.

This report sets out and explains the Dedicated Schools Grant (DSG) budget position.

Any balance from a previous financial year is carried forward and addressed in the following funding period. The DSG final position **2019/20** was an overspend of **£4.28m**, due to pressures within the High Needs Block (HNB), as reported at September 2020 Forum.

The DSG grant 2020/21 (before academy and HNB recoupment) is £560.15m, the cumulative forecast position as at 31 March 2021 is **£4.24m** deficit, this is due to pressures within the HNB, accordingly the recovery plan is focused on the HNB. A more in-depth review is provided in Agenda Item 8: High Needs Block (HNB) Recovery.

Recommendations

All Schools Forum members are asked to note and comment on:

- DSG 2020/21 outturn forecast as at Period 5 (August 2020)
- Cumulative DSG deficit forecast as at the end of 2020/21

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Background documents (available for public inspection):

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy please contact one of the contact officers above.

Supporting Reports:

21 September 2020	Schools Forum: Dedicated Schools Grant (DSG) and School Balances 2019/20 – Outturn Report
16 November 2020	High Needs Block Recovery

1. INTRODUCTION

- 1.1. Local authorities receive and manage the DSG within four blocks: early years, schools, high needs, and central school services schools. A large proportion of it is paid directly to schools and other settings to provide most education services. A proportion of the DSG is provided for local authorities to deliver education services. DSG in 2020/21 totals £560.15m, of which £239.25m is top sliced by the Department for Education (DfE) to pay for academy budgets, the balance of £320.90m is allocated over the four blocks, as shown in table one below. The HNB allocation of £80.16m includes £1.83m towards the DSG recovery

Table One: DSG 2020/21

DSG 2020/21	Annual Budget £000
Early Years Block	41,417
Schools Block	195,656
High Needs Block	80,164
Central Block	3,661
Total	320,898

- 1.2. The DSG is a ringfenced grant, so any balance from a previous financial year is carried forward and addressed in the following funding period. Table two below illustrates the final DSG position for the past three years. The £45k surplus in 2016/17 was used the following year against special school places in anticipation of expected HNB pressures. The shortfall due to pressures within the HNB, in the following two years, 2017/18 and 2018/19, was supported by the review of schools' excessive balances held for more than four years.
- 1.3. This report sets out and explains the Dedicated Schools Grant (DSG) budget position.

2. BACKGROUND

- 2.1. The DSG is a ringfenced grant, so any balance from a previous financial year is carried forward and addressed in the following funding period. Table two below illustrates the final DSG position for the past three years. The £45k surplus in 2016/17 was used the following year against special school places in anticipation of expected HNB pressures. The shortfall due to pressures within the HNB, in the following two years, 2017/18 and 2018/19, was supported by the review of school's excessive balances held for more than four years.

Table two: DSG Final Position for the past four years

	2016/17		2017/18		2018/19		2019/20	
	£000s		£000s		£000s		£000s	
Total DSG (before Academy & HNB recoupment)	472,443		492,195		518,055		530,768	
Final DSG position	45	surplus	469	Deficit	1,711	deficit	4,281	deficit
Recovery	-		Yes		Yes		-	

2.2. The DSG final position of £4.28m deficit 2019/20, is as a result of HNB pressures of £7.18m, this was mitigated by underspends in schools block, early years, and central services block of: (£1.44m), (£1.35m) and (£0.1m) respectively. In recognition of the national pressures within this area, Department of Education (DfE) have increased the HNB funding significantly since 2020/21. This was part of the three-year funding announcement in September 2019. The LA had previously expected to recover over a three-year period from 2020/21 to 2022/23, as reported to Forum 21 September 2020.

2.3. The original DSG recovery proposal was to recover the deficit over a three-year period 2020/21 to 2022/23 based on a review of the HNB and the additional funding provided by the DfE for the HNB, as outlined to Forum 21 September 2020 (agenda item 5). The recovery assigned in 2020/21 of £1.83m cannot be fully realised at this point in the financial year, it is expected £1.20m to be assigned towards recovery, further details in section 2 below. A more detailed recovery plan (agenda item 8) of the HNB is required to ensure that the DSG deficit can be recovered over three years.

3. DEDICATED SCHOOLS GRANTS (DSG) PERIOD 5 2020/21

3.1. Table three below shows the Period 5 DSG outturn forecast, with a projected in-year overspend of £1.16m, which represents various overspends against core DSG blocks offset by a reduction of £0.63m in the planned recovery of the DSG deficit. Pressures within the HNB are being reviewed, main pressures include Education Health and Care plans (EHCP) and post 16 provision.

Table three: P5 DSG 2020/21 In-year Projection

Monitoring Period 5 2020/21 - In year Position			
	Annual Budget	Projected Outturn	Projected Variance from Budget
SERVICE AREA	£000	£000	£000
Early Years Block	41,417	41,439	21
Schools Block	195,656	195,478	(178)
High Needs Block	78,331	80,189	1,858
Central Block	3,661	3,748	87

Recovery planned: 2020/21	1,833	1,200	(633)
Total (under)/overspend	320,898	322,054	1,156

- 3.2. The early years block funding is based on estimated pupil numbers and an adjustment is made to reflect any increases/decreases between January censuses (January 2020 and 2021). Although there is a projected overspend of £21k at period 5, it is difficult to predict before census data is collated each term. The schools block underspend of (£178k) is mainly due to the growth fund, which supports growth in pre-16 pupil numbers to meet basic need and support additional classes. More recent information regarding growth fund payments indicates that this underspend will reduce. The overspend forecast on central block is related to increase in premise cost for admissions service.
- 3.3. The in-year HNB projected overspend for 2020/21 of £1.86m, is due to on-going pressures of growth and complex cases. Pressures, which are being reviewed include Education Health and Care Plans (EHCPs), Post 16, out of area placements and alternative provision for excluded pupils.
- 3.4. At the point of budget setting, £1.83m of the 2020/21 HNB allocation of £80.16m was earmarked against the planned recovery against the 2019/20 DSG brought forward £4.28m deficit. At present, due to high needs pressures the LA is projecting a saving of £1.20m against the initially anticipated £1.83m recovery budget, a shortfall of £0.63m as illustrated in table three above.

4. CUMULATIVE DSG POSITION AT 31 MARCH 2021

- 4.1. The LA is projecting a cumulative DSG deficit of £4.24m at the end of this financial year, 31 March 2021, to be carried forward into 2021/22. This cumulative deficit is a result of:
- a) £1.2m recovery against the brought forward 2019/20 DSG deficit £4.28m, leaving an outstanding 2019/20 deficit of **£3.08m**;
 - b) In-year projected 2020/21 DSG deficit of **£1.16m**;
 - c) Cumulative deficit of **£4.24m**
- 4.2. Based on the current projected cumulative DSG position, to recovery by 2022/23 would mean a recovery on average of £2.12m in each of the following two years, 2021/22 and 2022/23, while remaining within the approved budgets set.

5. RECOVERY PLAN – HIGH NEEDS BLOCK (HNB)

- 5.1. Manchester's projected cumulative DSG deficit of £4.24m is expected to be recovered through the focus on HNB. Although there are expected overspends 2020/21 within other DSG blocks, as shown in table three above, the structural deficit is within the HNB. Manchester's HNB overspend 2019/20 was £7.18m (detailed in para 1.2

above), increase in pressures within this service area has been accepted as national issue, which has been reflected in the increase in funding by the government.

- 5.2. Although there has been significant increase in HNB budget allocation 2020/21 of £11.99m this has not fully met the growth and complexity of demand. A full review of the HNB has been undertaken, detailed in agenda item 8: HNB Recovery report. This report explains the demographic growth in the Special Education Needs and Disability (SEND) school population, along with complexity of cases to give an understanding on reasons for the overspend, and key budget pressures. The main key budget pressures within HNB are out of area placements, Education Health and Care plans (EHCP), post 16 and alternative provision.

6. CONCLUSION AND RECOMMENDATIONS

- 6.1. The projected DSG cumulative deficit, at this point is expected to be £4.24m by the end of financial year 2020/21. The LA plans to recover by the end of 2022/23, this will mean savings on average of £2.12m in each of the following two years: 2021/22 and 2022/23. This requires establishment of a HNB recovery plan over the next two years. Further details on the recovery are provided in agenda item 8 HNB Recovery Plan. This recovery will be challenging even with the additional government funding, due to significant projected growth and growing complexity within this service area.
- 6.2. All Schools Forum members are asked to note and comment on:
- DSG 2020/21 outturn forecast as at Period 5 (August 2020)
 - Cumulative DSG deficit forecast as at the end of 2020/21